

ORIGINAL

BEFORE THE

POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

MAILING ONLINE SERVICE

Docket No. MC98-1

DOUGLAS F. CARLSON
INTERROGATORY TO THE
UNITED STATES POSTAL SERVICE
(DFC/USPS-1)

August 15, 1998

Pursuant to sections 25 and 26 of the *Rules of Practice*, I, Douglas F. Carlson, hereby submit this interrogatory to the United States Postal Service.

The instructions contained in my interrogatories to witness Garvey (DFC/USPS-T1-1-6) are incorporated herein by reference.

Respectfully submitted,



Dated: August 15, 1998

DOUGLAS F. CARLSON



DFC/USPS-1.

Please refer to Attachment 1 to DFC/USPS-1. This attachment is a newspaper article titled "Postal Service Tests Online Delivery" from the *San Francisco Chronicle* on July 18, 1998, discussing a new electronic-mail service called PostECS. (Please explain any negative answers.)

- a. Please confirm that the Postal Service is testing PostECS (or a similar service by a different name).
- b. Please describe the implementation schedule for PostECS.
- c. Does the Postal Service have any plans for joint marketing of PostECS and Mailing Online?
- d. Will PostECS and Mailing Online be offered through a common Web site?
- e. Will PostECS use the same San Mateo data center as Mailing Online uses?
- f. Will economies of scale from these combined operations potentially reduce the costs for processing Mailing Online transactions from the current estimated costs?
- g. Will the Postal Service be seeking Commission approval for rates, fees, or classifications for PostECS?
- h. When will any economies of scale gained from these operations potentially be reflected in lower costs and lower rates or fees for Mailing Online transactions?
- i. Will the Postal Service promise to submit a request to the Commission by a particular date to lower Mailing Online rates to reflect these economies of scale?

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon the required participants of record in accordance with section 12 of the *Rules of Practice*.



DOUGLAS F. CARLSON

August 15, 1998
Emeryville, California

San Francisco Chronicle

BUSINESS

**Microsoft, Sun
Fuel Dow to
3rd Record
In a Row B2**

SATURDAY, JULY 18, 1998

B1

Postal Service Tests Online Delivery Web system could be ready in 1999

*By Jon Swartz
Chronicle Staff Writer*

Neither rain, sleet, snow nor band-
width will stop delivery of the mail.

That could be the motto of the U.S.
Postal Service in the 21st century.

Yesterday, the Postal Service said it be-

gan testing an online system that would let
consumers send mail and sensitive docu-
ments over the Internet for a nominal fee.
If the six-month test goes well, the digital
delivery service could be ready in early
1999.

Called PostECS (electronic courier ser-
vice), it is designed to transmit correspon-
dence such as contracts, legal briefs and
financial transactions through cyber-
space.

Users would go to a Web site, where
they would choose a format in which to
display their material. A message would

then be sent to the recipient's e-mail ac-
count with instructions on how to receive
the document at the Postal Service Web
site.

To ensure confidentiality, the docu-
ments would be encrypted or scrambled.
Most e-mail programs do not automati-
cally scramble messages traveling over the
Internet.

The service requires a password to use.
Like many e-mail programs, the Postal
Service can tell the sender whether the
message has been sent, received and/or
viewed.

The service is being tested at a comput-
er center in San Mateo until mid-Decem-
ber. Small and mid-size companies such as
banks and law firms, and some colleges,
are using it to send documents nationwide
and to Canada and France, where the sys-
tem is also being tested.

"It is a natural evolution of the Postal
Service entering the digital information
age," said project manager Janice Gould.

The service could be available to busi-
nesses as early as next year and to consum-
ers. **POST: Page B2 Col. 1**

POST: Internet Delivery Being Tested

From Page B1

ers shortly afterward it approved by the Postal Service's board of governors. The board is scheduled to vote on the service once its six-month test is over.

Unlike normal letters and packages, rates for cybermail are based on the amount of memory used — not its weight or distance sent.

The Postal Service plans to charge \$2.50 per transaction of up to two megabytes (the equivalent of several novels' worth of text), and \$5 for five-megabyte documents (about 100 Web-quality photographs). Each additional copy costs \$1.

"We're going to evaluate how the market accepts the service and then go from there," said Gould, who added that about 100 companies worldwide are testing PostECS.

The spectacular growth of electronic mail is slowly siphoning business away from traditional mail carriers. For about \$20 per month — the average cost for Internet service — people can send and receive unlimited e-mail anywhere in the world. More than 1 billion e-mail messages are sent per year.

Although that pales in comparison to the U.S. Postal Service, which processes about 182 billion pieces of mail annually, postal officials acknowledge that e-mail, long-distance calls and faxes are supplanting first-class mail as a primary means of personal communication.

Household-to-household correspondence — also known as "Aunt Minnie Mail" — now accounts for only 4 percent of mail volume, down from 8 percent in 1994.

The Postal Service is pursuing several avenues to boost revenues. One is to sell new products, including an electronic postmark, to act as proof of delivery of e-mail.

"The Postal Service is going to lose a lot of money to electronic billing and other services unless it offers some sort of online system that ensures quick delivery of important, sensitive information," said Paul Hoffman, director of the Internet Mail Consortium, an industry trade group in Santa Cruz. "And, quite frankly, most people would rather send confidential material through the Postal Service than a (uncured) Web site or over the phone."

By the end of the year, consumers may be able to buy and print stamps from home.

E-Stamp Corp. yesterday said it will begin testing its online postage service with small businesses in Northern California this month after a successful trial run in the Washington, D.C., area.

The Palo Alto-based company has developed a small adapter, about half the size of a cigarette pack, that connects to a computer's printer port. Users will be able to go to the E-Stamp Web site (www.e-stamp.com) and, using secret codes, buy postage with a credit card. The amount then would be downloaded to their computer and printed out on an envelope or label.

The digital stamp, which looks like the bar codes used on grocery items, encodes information such as date and the ZIP code destination. It can be read by Postal Service mail-sorting machines to speed delivery.